

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6210

BILL NUMBER: SB 92

NOTE PREPARED: Nov 23, 2003

BILL AMENDED:

SUBJECT: Repeal of Sales Tax on Free Hotel Rooms.

FIRST AUTHOR: Sen. Merritt

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill repeals the Sales Tax on complimentary hotel rooms.

Effective Date: April 1, 2004.

Explanation of State Expenditures: The bill will have a minimal administrative impact on the Department of State Revenue. Any impact could be absorbed using existing staff and resources.

Explanation of State Revenues: Based on early data from the Department of State Revenue (DOR), it is estimated that repealing the Sales Tax on complimentary hotel rooms will reduce state Sales Tax revenue by approximately \$2.1 M each year.

The Sales Tax on complimentary hotel rooms went into effect on July 1, 2003 and applies to complimentary rooms offered by all hotels, including those associated with casino riverboats. Due to the limited amount of time that the Sales Tax on complimentary hotel rooms has been in effect, collections data from the first quarter of remittances are only now being reported and processed by the DOR. As of November 21, 2003, four of the eight casino riverboats that have adjacent hotels have reported Sales Tax remittances on complimentary rooms during the first quarter of FY 2004. Data is not yet available on the amount, if any, of Sales Taxes paid on complimentary rooms from hotels not associated with the casino riverboats.

Note: This fiscal note will be updated as more information becomes available.

Background Information: Beginning July 1, 2003, hotels became liable for paying the Sales Tax on a computed "rate" for complimentary hotel rooms used by guests. For Sales Tax purposes, the complimentary

hotel room rate is based on the average daily rate received for rooms with paid occupancy. The Department of State Revenue (DOR) allows hotels to compute the average daily rate on a monthly or daily basis. The average daily rate is then multiplied by the number of complimentary rooms provided to arrive at a gross retail income received from the complimentary rooms. This amount is subject to the state's 6% Sales Tax.

Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the State General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Loan Fund (0.033%).

Explanation of Local Expenditures:

Explanation of Local Revenues: According to the Department of State Revenue, P.L. 224-2003 did not impact the applicability of the Innkeeper's Tax on complimentary hotel rooms.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Department of State Revenue.

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